FISCAL NOTE

Bill #:	SB0052	**Title:**	Wage and benefits for noncertified school employees during closures
Primary Sponsor:	Harrington, D	**Status:**	As Introduced

Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
General Fund	$5,441,000	$2,955,000
Montana University System Funds	$344,000	$689,000
Other – Unemployment Insurance Trust	$15,460,000	$12,696,000
Revenue:		
Other – Unemployment Insurance Trust	$12,972,000	$12,696,000
Net Impact on General Fund Balance:	($5,441,000)	($2,955,000)

☒ Significant Local Gov. Impact
☐ Included in the Executive Budget
☐ Dedicated Revenue Form Attached
☐ Technical Concerns
☒ Significant Long-Term Impacts
☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Labor

1. This bill requires that unemployment benefits be paid to non-professional education employees during breaks in the school calendar and is effective on passage and approval.
2. Non-professional education employees include staff at private and public schools, and private and public colleges and universities.
3. Qualified employees need to apply for unemployment benefits, but are not required to seek employment during the time they are receiving benefits if they are full-time (at least 30 hours per week) and have a return to work date.
4. Total education employment is estimated to be 42,470 employees. The number of non-professional staff at education employers, except the Montana University System (MUS) and the School for the Deaf and Blind (MSDB) is estimated to be 31% of total employment. Montana University System (MUS) and the School for the Deaf and Blind (MSDB) number of non-professional staff are actual numbers from FY 2002.

5. It is difficult to predict how many of the non-professional staff would qualify and apply for unemployment benefits. The maximum cost if all non- professional staff qualified and applied for unemployment benefits, the cost would be approximately $30 million per year.
6. The percentage of employees that will apply and qualify for these benefits will vary by the type of employer and the percent of non-professional employees not employed over Christmas and summer breaks. It is assumed that K-12 districts will have 50% of the non-professional staff apply and qualify for unemployment insurance; Montana University System will have 10% of its non-professional staff apply and qualify for unemployment benefits; private and tribal schools and colleges will have 25% of non-professional staff apply and qualify for unemployment benefits.
7. Duration of benefits is estimated at 12 paid weeks (12 weeks summer, 1 week Christmas vacation, less the unpaid waiting week) for FY 2004 and FY 2005. Plus 3 paid weeks for FY 2003 during the month of June. FY 2003 costs will be included in the costs for FY 2004.
8. The average weekly benefit amount projected for FY 2003 is $189, FY2004 is $189, and for FY2005, $194. (Source: UI Division). Total average per employee costs are $2,835 (15 x 189) in FY 2004 and $2,328 (12 x 194).
9. Expenditure of claims is recorded against the trust in the year the benefit is paid.
10. Education employers may provide unemployment insurance in one of three ways, each of these ways has a different immediate impact on school costs related to this bill:
    - Governmental: There will be no effect on the governmental employer rates in the first six months of FY 2004 due to the time lag incurred for additional benefits to affect the rating structure. Governmental accounts are experienced rated. For the purposes of this fiscal note it is assumed that no other changes in unemployment insurance are reflected in the rates structure and the full effect of this change will occur January 1, 2004. It is also assumed that the Department of Labor can isolate school accounts in this rate increase and will not apply the increase to all governmental accounts. (Note - It is impossible to predict whether the increase in rates will affect individual accounts' rating or the entire rate schedule for governmental accounts.)
    - Reimbursable: School districts that have chosen the reimbursable status with the Department of Labor, will see increased costs immediately. These schools are charged dollar for dollar for their benefit charges. The pools that they contribute to will dramatically increase rates in order to pay for the first two years of anticipated cost.
    - Experienced rated: Similar to Governmental except for private entities. There will be no effect on the experience rated employer rates in the first six months of FY 2004 due to the time lag incurred for additional benefits to affect the rating structure. For the purposes of this fiscal note is assumed that no other changes in unemployment insurance are reflected in the rates structure and the full effect of this change will occur January 1, 2004.
11. Reimbursable benefit charges will not significantly affect the Department of Labor's Unemployment Insurance Trust Fund balance, as these accounts pay monthly or quarterly to reimburse the UI Trust Fund.

Office of Public Instruction (OPI)

12. The additional cost to districts outlined in 13. below, will be charged to the school retirement fund, which is funded with a state guaranteed tax base aid and county mills. Under current law, the state and the county share the funding of the retirement amount. The state guarantee ratio for counties varies from 0% to 56% depending on the taxable value of the county relative to its number of students. The average state share of new retirement expenses is 25%.

13. Costs by type of Unemployment Insurance account:

<u>Governmental</u>

(a) Montana University System (including community colleges)–
- 7,250 employees; 3,700 non-professional; 10% apply and qualify or 370 employees that receive additional UI benefits.
- This equates to $1,049,000 in FY 2004 and $861,000 in FY 2005 in additional benefits.
- Assume that rates increase on January 1, 2004 to reflect the long term additional benefits received or $861,000 on an annual basis or $430,000 in FY 2004 and $861,000 in FY 2005.
- Assume that the general fund share of this expenditure would be 20% or $86,000 in FY 2004 and $172,000 in FY 2005.

(b) Montana School for the Deaf and Blind –
- 98 employees; 58 non-professional; 50% apply and qualify for a total for 29 employees that receive additional UI benefits
- This equates to $82,000 in FY 2004 and $68,000 in FY 2005 in additional benefits.
- Assume that rates increase on January 1, 2004 to reflect the long term additional benefits received or $68,000 on an annual basis or $34,000 in FY 2004 and $68,000 in FY 2005.
- Assume that the general fund share of this expenditure would be 100% or $34,000 in FY 2004 and $68,000 in FY 2005.

(c) Public K-12 schools –
- 4,514 employees 31% non-professional and 50% apply and qualify for a total for 700 employees that receive additional UI benefits.
- This equates to $1,984,000 in FY 2004 and $1,629,000 in FY 2005 in additional benefits.
- Assume that rates increase on January 1, 2004 to reflect the long term additional benefits received or $1,629,000 on an annual basis or $814,000 in FY 2004 and $1,630,000 in FY 2005.
- Assume that the general fund share of this expenditure would be 25% (see assumption 12.) or $203,000 in FY 2004 and $407,000 in FY 2005.

<u>Reimbursable</u>

(d) Public K-12 schools –
- 25,582 employees 31% non-professional and 50% apply and qualify for a total for 3,965 employees that receive additional UI benefits.
- This equates to $11,241,000 in FY 2004 and $9,231,000 in FY 2005 in additional benefits.
- Assume that rates increase on July 1, 2003 to reflect the immediate increase in expenditures of the schools pool (Montana Schools Unemployment Insurance Program) plus the anticipated expenditures for the next year. The pool will strive to increase rates to cover future anticipated expenditures or $20,472,000 in FY 2004 and $9,231,000 in FY 2005.
- Assume that the general fund share of this expenditure would be 25% (see assumption 12.) or $5,118,000 in FY 2004 and $2,308,000 in FY 2005.

<u>Unknown combination of Governmental, Reimbursable, and Experience rated</u>

(e) Private schools and colleges in any of the types of unemployment insurance – 5,040 employees assume 31% unknown number would receive additional UI benefits
- 5,026 employees 31% non-professional and 25% apply and qualify for a total for 391 employees that receive additional UI benefits.
- This equates to $1,104,000 in FY 2004 and $907,000 in FY 2005 in additional benefits
- The increased premiums for will not be charged to state funds.

FISCAL IMPACT:

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
Benefits	$15,460,000	$12,696,000
Montana University System – personal services	430,000	861,000
MT School for the Deaf and Blind – personal s.	34,000	68,000
Office of Public Instruction - Local Assistance	5,321,000	2,715,000
TOTAL	$21,245,000	$16,340,000
Funding of Expenditures:		
General Fund	$5,441,000	$2,955,000
Montana University System other funds	344,000	689,000
Other (Unemployment Insurance Trust Fund)	15,460,000	12,696,000
TOTAL	$21,245,000	$16,340,000
Revenues:		
Other (Unemployment Insurance Trust Fund)	$12,972,000	$12,696,000
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund	($5,441,000)	($2,955,000)
Montana University System other funds	($344,000)	($689,000)
Other (Unemployment Insurance Trust Fund)	($2,488,000)	$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The county retirement levy will increase in response to the increased retirement cost of this proposal. The county levies will increase by 75% of the increased costs or $16.0 million in FY 2004 and $8.1 million in FY 2005.

LONG-RANGE IMPACTS:

The increased ratio of total benefit charges to total wages will trigger higher tax rates for the governmental employer experience rating system in future years. State government as well as local government may be assessed the resulting higher tax rates.